

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /130 W
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P 270800Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9920
INFO AMCONSUL HONG KONG
USLO PEKING

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E.O. 11652: NA
TAGS: ENRG, EMIN, JA, CH
SUBJECT: JAPANESE-CHINESE AGREEMENT ON OIL DEVELOPMENT

REF: (A) TOKYO 12947 NOTAL, (B) PEKING 2281

1. SUMMARY. JAPANESE NATIONAL OIL CORPORATION AND
CHINESE REACH AGREEMENT ON OIL DEVELOPMENT OFF CHINA
SHORE. END SUMMARY.

2. A JAPAN NATIONAL OIL COMPANY (JNOC) SPOKESMAN JULY
26 CONFIRMED JAPANESE PRESS REPORTS (WHICH IN TURN WERE
IN ACCORDANCE WITH PEKING'S REF B) THAT A JAPANESE OIL
SURVEY MISSION LED BY JNOC VICE PRESIDENT JIN MIYAZAKI
HAS REACHED GENERAL AGREEMENT WITH THE CHINESE GOVERNMENT
FOR JOINT OFFSHORE OIL DEVELOPMENT. IN THE INITIAL
PHASE THIS WOULD BE CONCENTRATED IN PO HAI BAY. LATER
DEVELOPMENT, IF CONDITIONS ARE FAVORABLE, WOULD OCCUR
AROUND THE MOUTH OF THE PEARL RIVER. ON JULY 23, DURING
A MEETING WITH THE JAPANESE MISSION MEMBERS, CHINESE
VICE PREMIER KANG SHIH YIN HAD GIVEN HIS SUPPORT TO THE
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PROPOSAL AND HAD REQUESTED JAPANESE COOPERATION.

3. JNOC ADDED THAT WORKING LEVEL JNOC AND CHINESE EXPERTS
WILL MEET DURING SEPTEMBER 1978 IN PEKING TO DISCUSS
TECHNICAL DETAILS SUCH AS (1) SPECIFIC LOCATIONS FOR OIL
DEVELOPMENT; (2) FORM OF THE JOINT EFFORT (WHICH MIGHT
BE UNDERTAKEN ON THE JAPANESE SIDE BY A CONSORTIUM OF

OIL COMPANIES; IDEMITSU KOSAN AND JAPAN PETROLEUM EXPLORATION COMPANY ALREADY HAVE EXPRESSED INTEREST IN PARTICIPATING); (3) FINANCING; AND (4) POSSIBLE IMPORT INTO JAPAN OF CRUDE OIL PRODUCED UNDER THE AGREEMENT.

4. ALTHOUGH FORMAL JAPANESE GOVERNMENT APPROVAL TO PROCEED WITH THE PROPOSAL HAS YET TO BE OBTAINED, MINISTER OF INTERNATIONAL TRADE AND INDUSTRY KOMOTO

REPORTEDLY HAS COMMENTED THAT THE AGREEMENT IS A VERY SIGNIFICANT ONE IN THE DEVELOPMENT OF ECONOMIC TIES BETWEEN JAPAN AND CHINA, AND THAT JAPAN MUST DEAL WITH CHINA "IN A POSITIVE MANNER" WITH RESPECT TO PENDING DISCUSSIONS ON OIL DEVELOPMENT.

5. OIL IMPORTED INTO JAPAN AS RESULT OF PRODUCTION UNDER THIS AGREEMENT WOULD HAVE NO RELATION TO LONG-TERM TRADE AGREEMENT OIL IMPORT PROVISIONS, WHICH ARE TO BE FULFILLED USING OIL FROM OTHER SITES. MANSFIELD

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